

A nest away from home

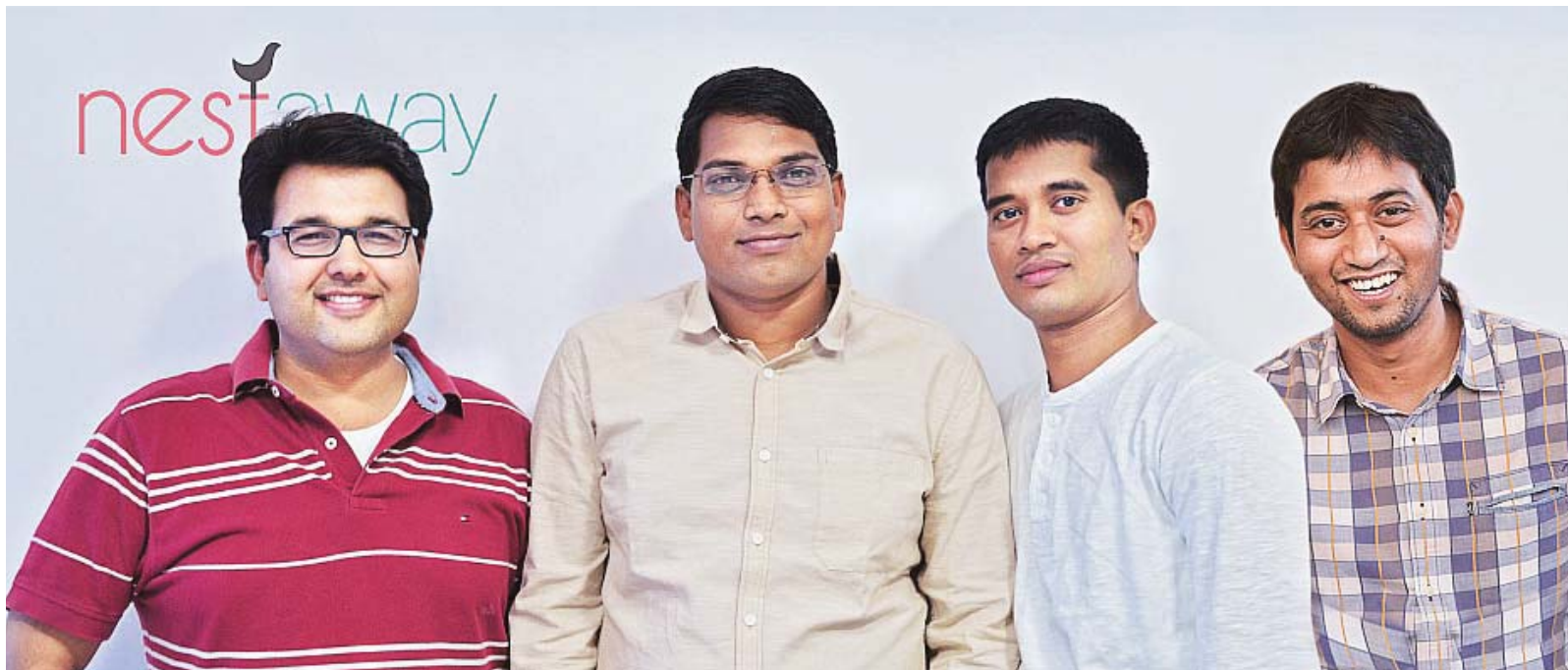
NestAway builds a business around trust and transparency in the rental market, write **K Rajani Kanth and Shruti Sarma**

When Shalini Varma moved from a small town for her dream job in Hyderabad, she had to initially check into an uncomfortable accommodation. Not knowing anyone in the city and with no friends to support, searching a house turned out to be arduous. "It's easier if you have a support system, especially friends who help you find decent accommodation," she says.

An ordeal, a bunch of friends who moved to Bengaluru for work also had to go through. Now, they want to fix the problem. "The youth housing infrastructure in cities is completely broken. Owners don't trust singles and when they do, they impose many restrictions, such as not allowing one to come back home after 10 pm. The city just doesn't treat them well and they feel like outsiders," says Sahu, one of the four founders of NestAway Technologies.

The company was launched in January 2015 by National Institute of Technology (NIT), Karnataka, alumni Amarendra Sahu, Smruti Parida, Deepak Dhar and Jitendra Jagadev. The start-up works with 2,000 owners and hosts 10,000 tenants across four cities — Bengaluru, the National Capital Region, Hyderabad and Pune.

The founders call themselves trust makers. They liken their work to a bank. "Think of us as a bank whose primary job is to con-



NestAway co-founders (from left) Deepak Dhar, Jitendra Jagadev, Amarendra Sahu and Smruti Parida

nect renters and owners by structuring the processes and standing as the guardian of trust," says Sahu.

The start-up helps tenants and owners in every step of the rental process while ensuring trust is maintained. The focus is on having a standard set of processes, including a common rental agreement to eliminate the scope for surprises.

NestAway is also moving beyond addressing the pain points of young singles, with the launch of family homes in January. "It's a new form of accommodation.

Whatever is your budget (₹4,000-100,000), whatever you call home (a bed, a room or an entire house), our goal is to provide it," says Sahu. For the singles' category, it takes two months deposit but no brokerage. Services are provided through an app.

The start-up has tied up with multiple payment services providers to facilitate transactions. Tenants and owners can pay via its app or website. It also provides a guarantee in case the tenant damages the owner's property, through its 'Structure and Content Insurance' in association with Tata

AIG, of up to ₹1 crore.

Taking along brokers

Does the NestAway model eliminate regular brokers? No, says Sahu. In fact, it considers them an integral part of the rental value chain. "We use their service for lead closure and service supervision," he says.

NoBroker, another start-up in this space that directly connects home owners with house hunters, has a customer base of 650,000. The company claims it helps customers save around ₹15 crore in brokerage charges every month. NestAway sees it otherwise and believes their help is essential to win the market. NestAway's other competitors include CommonFloor, 99acres, Magicbricks Realty and Grabhouse.

"We provide our brokers an annuity income stream (2.5 per cent of monthly rental) for every home they manage with us, which includes showing homes, closing on agreements and attending to maintenance requests from tenants," Sahu says.

According to Karthik Prabhakar, vice-president of IDG Ventures India, NestAway is targeting to organise the rental market through extensive use of technology and collaboration with real estate brokers, a critical component for scaling without being capital-intensive.

The start-up has raised close to

FACT BOX

Inception: January 2015

Area of business: Home rental services

Fund-raising: \$14 million from Tiger Global, IDG Ventures, Flipkart, Ratan Tata and Naveen Tewari of Inmobi

\$14 million so far from Tiger Global, IDG Ventures, Flipkart, Ratan Tata and Naveen Tewari of Inmobi, among others.

The fund would go into product engineering, brand creation and expansion to more cities. It has plans for Mumbai and Chennai in the near future. Its goal is to reach out to about 50,000 home owners and 100,000 tenants in 12-18 months.

For now, Sahu says, the revenue streams are sufficient and they aren't exploring additional routes. "We are doing well. Our existing business is large and growing," says the co-founder.

NestAway makes money by taking a percentage of the rent it generates every month.

"Given the annuity model and a high rate of repeat usage over a long period, the platform has the ability to scale and cater to a million-plus tenants over the next few years," Prabhakar adds.

EXPERT TAKE



The NestAway concept is unique in many ways. Since it is a managed rental marketplace model, it delivers an annuity

revenue stream, rather than a one-time brokerage fee. It also allows the company to differentiate its offerings from other players in this space, who are all selling one-time services.

NestAway targets singles, who

don't have easy access to high-quality rental options and matches them with owners with good properties. So it is creating a unique solution and system on both sides of the spectrum.

The platform is highly scalable and with recurring revenues, is also very viable. While the online housing market is crowded, NestAway has a very differentiated model. The key challenge will be in executing the plan and delivering a high-quality experience to both tenants and owners across

properties and geographies. The initiatives taken in enrolling brokers and local housewives as partners to provide hyperlocal support will help in scaling and provide better customer experience.

Apart from expanding across cities and potentially globally, NestAway can also extend services to other adjacent areas like family rentals and youth hostels.

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