20/20 VISION – A TECH ENTREPRENEUR’S FORECAST ON REAL ESTATE, CHINA, CLIMATE AND TECH

Zain Jaffer - Feb 4, 2020, 11:38 am

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Hindsight is 2020. However, for an entrepreneur with enough foresight, 2020 can be a year of new investment potential, full of fortune waiting to favor the bold. As we move into this new decade, investors should keep an eye out for the following four global trends. These themes related to real estate market, climate, china and tech are sure to have a major impact on global markets.

The China Trade War: Big Future Opportunities

While there has been a significant amount of media attention regarding the trade war between the US and China, everything is not as negative as it may seem. Once the dust settles and new trade policies are in place, technology markets will be ripe for investment.

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As it stands right now, the governments of both countries are reluctant to allow mergers or acquisitions of private tech companies. I witnessed this firsthand with my own company, Vungle. as Chinese companies made multiple offers to acquire my business and a handful of our competitors, but the deals were ultimately blocked by the Committee on Foreign Investments in the United States (CFIUS). As a part of the US Treasury Department, the mission of CFIUS is to evaluate the national security impact of economic transactions conducted with foreign entities.

Since China is listed as a strategic competitor, according to the White House's 2017 National Security Strategy, CFIUS is heavily involved anytime a Chinese corporation signals an interest in acquiring a US-based tech firm. After all, the US-China trade war is fundamentally based on disagreements with how China uses the intellectual property and personal data of other countries. For this reason, CFIUS is a barrier to Chinese investment in US tech companies.

All of this may change, however, when the trade war gets resolved. Once China and the US reach an agreement (which they should this year due to President Trump wanting a resolution before he campaigns for re-election) the sanctions and barriers to foreign investment will be drastically scaled back, allowing for a rush of investment on both sides of the Pacific.

Much in the same way that the coastal real estate market saw huge boosts due to Chinese investment in past years, tech stocks should see a surge in acquisitions and investments as early as this year.

European Politics: Complicating the Tech Sector

Moving from Asia into Europe, 2020 may be a year of troubles and uncertainty for tech companies hoping to operate in EU markets. The past year saw several economic disputes between the US and Europe, though, not on the same scale as the so-called trade war with China.

The main complication with the trade disputes in Europe, however, revolves around the fact that, while many countries treat the EU as a single economic bloc, individual European countries still have the sovereignty to draft trade laws that do not affect their neighbors. For example, France passed a tax law affecting technology and advertising companies such as Google and Facebook. However, this law only applies to France, and not any of the other EU members.

Looking at past EU trends, when one nation passes a law, the others follow suit with their own similar-but-different versions of that law. This means that we can expect other countries to pass their own regulations regarding how foreign technology firms are allowed to operate within their borders. Later this year, what is allowed in one European country may be illegal in another.

This diversity of laws within such a tight geographic region and population creates risk for external companies wishing to work within European markets. Accidental noncompliance of a tech company within one country can have heavy legal punishments to include sanctions and fines.

For an entrepreneur looking ahead to 2020, one should use caution when investing in tech companies that are at risk of being impacted by European legislation. It is important to look at the company’s revenue mix to see how much they stand to lose in the event of drastic tax changes in European markets.

Also, keep in mind that advertising companies are particularly at risk when it comes to new data protection laws. This might affect their competitiveness which, in turn, presents an opportunity to short sell these stocks.

Real Estate Market: Ripe for Tech Disruption

Most real estate developers will agree that there are high amounts of inefficiency throughout various global real estate markets. To compound the issue, many industries and companies in this sector have been slow to adopt technology to improve any of their dated and cumbersome processes.

This technology-adverse culture within the real estate market, however, has finally begun to change with a few companies starting to use mobile apps and smart pricing for their inventory. Hotel companies like Marriott Bonvoy and Hilton have led the charge in this arena over the past year with huge success. Now, there is serious opportunity for technology to pick up and revolutionize the field even further.

Beyond using tech to modernize existing processes, there is room for technology to create entirely new business models. For example, Zillow and other companies like it have already displaced the role of a traditional realtor and are now moving into the real estate investment business—positioning themselves to not only be a site for advertising available properties, but to also be the first offer on a house once it is listed.

One final point on real estate is that there is significant opportunity for technology to be used for senior living care to drive down costs. With an increasing age population crisis across the globe and fewer people able to afford hospice, the world is facing a problem that the right tech firm could solve. Investment in this arena could prove to be highly successful in the coming years.

Green Consumerism: More Than Just a Trend?

Finally, the past year has seen a significant shift in environmental awareness among consumers. In 2020, this is certain to impact which companies will thrive and which will fail.

As you pick future companies to invest in, it is important to see how they position themselves on climate change. Is their marketing and supply chain set up to be green against competitors? Are they incorporating sustainable business practices? Potential customers will check, so you should too.

Companies that mislead on marketing—claiming to be greener than they really are—have been increasingly exposed and lambasted by the public. Businesses like PG&E and others have suffered significant losses after being accused of "greenwashing". Additionally, governments may begin placing severe sanctions on businesses who do not meet increasingly green policies and emissions standards while providing incentives and benefits to those who do. For these reasons, it would be wise for investors to short sell companies who are not making strides to be more environmentally friendly, as they could become liabilities going into this new year.

With these potential changes in mind, alternative energy sources and the companies that create technology or infrastructure around them are well poised to succeed and should be invested in looking forward. Electric vehicles are an especially lucrative option, as even luxury car companies like Ferrari (RACE) and Aston Martin (ARGGY) have made strides in the green direction.

Conclusion

As the world sits on the cusp of revolutionary technologies, drastic new international laws, and a new focus on environmentally friendly industries, 2020 poses to be a pivotal year that is ripe with opportunity for the right investor.

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