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**EDITORS AND REPORTERS:** Jeffrey Sohl, director of the UNH Center for Venture Research, can be reached at 603-862-3341 and [jesohl@christa.unh.edu](mailto:jesohl@christa.unh.edu). The Q1 and Q2 2008 Angel Market Analysis is available at [http://www.unh.edu/news/docs/CVRQ1Q2\\_08.pdf](http://www.unh.edu/news/docs/CVRQ1Q2_08.pdf).

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DURHAM, N.H. - Angel investors have become more cautious in light of the recent economic uncertainty, trying to reduce their risk exposure by including more angels in each deal, according to the Angel Market Analysis for the first and second quarters of 2008 released by the Center for Venture Research at the University of New Hampshire.

According to the analysis, "Angel Investors Steady But More Cautious in First Half of 2008," total investments in the first and second quarters of 2008 were \$12.4 billion, an increase of 4.2 percent over the same period last year. A total of 23,100 entrepreneurial ventures received angel funding in the first half of 2008, a slight decrease of 3.8 percent from the same period last year, and the number of active investors was 143,000 individuals, an increase of 2.1 percent over the same period in 2007.

"The modest increase in total dollars and angel investors, coupled with the decrease in investments resulted in a larger deal size for the first half of 2008 (8 percent)., These data indicate that angels are exhibiting a cautious approach to investing in light of the recent volatility in the economy and reducing their individual risk exposure by including more angels in each deal," said Jeffrey Sohl, director of the UNH Center for Venture Research at the Whittemore School of Business and Economics.

Software accounted for the largest share of investments, with 18 percent of total angel investments in Q1 and Q2 2008, followed by healthcare services/medical devices and equipment (17 percent) and industrial/energy (10 percent), potentially reflecting an increasing appetite for green technologies. Biotech has dropped from the top three sectors for the first time in several years while retail and media have solidified their previous presence in the top six preferred sectors.

Angels continue to be the largest source of seed and start-up capital, with 46 percent of first and second quarter angel investments in the seed and start-up stage, on par with the like period last year (42 percent). Angels also exhibited a decrease in post-seed/start-up (early stage) investing with 33 percent of investments in this stage, down from 48 percent in the first half of 2007. However, this was offset by an increase in expansion stage investing to 19 percent, up from 7 percent over the same period in 2007.

"While angels continue to represent the largest source of seed and start-up capital, market

conditions and the capital gap are requiring angels to engage in more later-stage rounds. New, first sequence, investments represent 65 percent of angel activity in the first and second quarters of 2008, unchanged from the same period last year, indicating a continued preference for new, as opposed to follow-on, investments," Sohl said.

According to Sohl, if the angel market is to achieve sustainable growth, there needs to be a reasonable augmentation in active investors, and thus, level of participation is an important consideration. While the number of angel organizations, and individuals that are members of organized angel groups, is increasing, there is a significant percentage of latent angels -- individuals who have the necessary net worth, but have not made an investment.

"In the first half of 2008, 58 percent of the membership in angel groups was latent angels, which is the same as the first half of 2007. This significant percentage of latent investors indicates that while many high net worth individuals may be attracted to angel groups, they have not converted this interest into direct participation. Many angel groups are now beginning to recognize the more basic systemic need for educational programs and research to move the latent angel to the active investor, in addition to quality deal flow," he said.

The Center for Venture Research has been conducting research on the angel market since 1980. The center's mission is to provide an understanding of the angel market and the critical role of angels in the early stage equity financing of high growth entrepreneurial ventures. Through the tenet of academic research in an applied area of study, the center is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers. For more information visit [www.unh.edu/cvr](http://www.unh.edu/cvr) or contact the center at 603-862-3341.

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